

# **THE OFFICE OF REGULATORY STAFF**

## **SETTLEMENT TESTIMONY**

**OF**

**LEIGH C. FORD**

**JUNE 17, 2011**



**DOCKET NO. 2010-181-E**

**Application of Lockhart Power Company for  
Adjustment of Rates and Charges**

**SETTLEMENT TESTIMONY OF LEIGH C. FORD**

**FOR**

**THE OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2010-181-E**

**IN RE: APPLICATION OF LOCKHART POWER COMPANY FOR  
ADJUSTMENT OF RATES AND CHARGES**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND  
OCCUPATION.**

**A.** My name is Leigh Ford. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as a Senior Electric Utilities Specialist in the Electric Department for the Office of Regulatory Staff ("ORS").

**Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?**

**A.** Yes. On June 3, 2011, I filed direct testimony in this Docket.

**Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY?**

**A.** The purpose of this testimony is to explain and provide support for the Settlement Agreement reached by ORS and Lockhart ("the Parties") in Lockhart Power Company's ("the Company" or "Lockhart") Application for adjustment of rates and charges.

**Q. WOULD YOU PLEASE PROVIDE AN OVERVIEW OF THE  
SETTLEMENT AGREEMENT REACHED BY THE PARTIES IN THIS  
PROCEEDING?**

1     **A.**             Yes. The Parties reached a comprehensive settlement on all issues in this  
2             case. This Settlement Agreement reduces the proposed revenue increase from  
3             \$337,676 to \$287,959; thereby reducing Lockhart's request by \$49,717 or  
4             approximately 15%. This reduction is shown in Attachment B of the Settlement  
5             Agreement.

6             The Parties also agree to reduce the requested Return on Equity ("ROE")  
7             from 12.5% to 12.0%. Additionally, the Parties agree that the accounting exhibits  
8             prepared by ORS and attached to the Settlement Agreement as Attachment A are  
9             fair and reasonable. These exhibits set forth the Company's operating expenses,  
10            pro forma adjustments, depreciation rates, total rate base, revenue requirement,  
11            return on equity at an agreed upon ROE of 12.0%, and rate of return on rate base.

12    **Q.     PLEASE DISCUSS THE DISTRIBUTION OF THE PROPOSED**  
13    **REVENUE INCREASE.**

14    **A.**             The Parties agree that the reduction to Lockhart's requested revenue  
15             increase be applied to each customer class in the manner in which the Company  
16             requested in its Application. As shown in Attachment C to the Settlement  
17             Agreement, this reduces the: Residential rate increase from 3.20% to 2.73%;  
18             Commercial rate increase from 4.48% to 3.82%; Street Lighting increase from  
19             4.49% to 3.83%; and Outdoor Lighting increase from 4.98% to 4.25%. The  
20             Parties agree there will be no increase for Industrial Service. The overall increase  
21             to retail customers is reduced from 2.51% to 2.14%.

22             In its Application, the Company proposed increasing the Basic Facilities  
23             Charge ("BFC") for residential customers from \$6.50 to \$7.25. However, the

1 Parties agree to reduce the proposed BFC to \$7.00, resulting in a \$0.25 reduction  
2 in the BFC.

3 The Parties also agree to reduce to the monthly charge factor for the  
4 Power Adjustment Clause from 3.8947 cents/kWh to 3.8622 cents/kWh.

5 The approximate monthly bill increase for residential customers using  
6 1,000 kilowatt hours ("kWh") is \$2.46 as opposed to the Company's requested  
7 increase of \$3.23.

8 **Q. PLEASE DISCUSS THE PROPOSED RATE DESIGN OF THE**  
9 **SETTLEMENT TARIFFS.**

10 **A.** The Parties agree to revise Schedule O since the tariff no longer solely  
11 addresses purchased power. In addition to purchased power costs, the tariff now  
12 incorporates costs related to fuel and credits for off-system sales associated with  
13 the Wellford landfill gas project. As a result, the name has also been changed  
14 from the *Purchased Power Adjustment Clause* to the *Power Adjustment Clause*.  
15 No other rate design modifications were requested. The Parties agree that the  
16 aforementioned modifications are reasonable and appropriate and the updated  
17 Schedule O is attached to the Settlement Agreement as Attachment D.

18 **Q. PLEASE SUMMARIZE ORS AND LOCKHART'S POSITION ON THE**  
19 **SETTLEMENT AGREEMENT.**

20 **A.** The Parties are in agreement that the settlement revenue increase along  
21 with the corresponding revenue distribution to the classes and the resulting tariff  
22 rates and charges are fair, just and reasonable and provide the Company an  
23 opportunity to recover the revenue required to earn a fair return on its investment.

1           ORS supports this Settlement Agreement and has determined it to be in the public  
2           interest. ORS and Lockhart request that this Settlement Agreement be approved  
3           by the Commission.

4   **Q.     DOES THIS CONCLUDE YOUR TESTIMONY?**

5   **A.**Yes, it does.

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**  
**DOCKET NO. 2010-181-E**

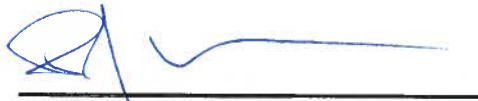
IN RE:

**Application of Lockhart Power Company  
for Adjustment of Rates and Charges**

)  
) **CERTIFICATE OF**  
) **SERVICE**  
)  
)

This is to certify that I, Pamela J. McMullan, have this date served one (1) copy of the **SETTLEMENT TESTIMONY OF LEIGH C. FORD** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

M. John Bowen, Esquire  
Margaret M. Fox, Esquire  
McNair Law Firm, P.A.  
Post Office Box 11390  
Columbia, SC 29211

  
\_\_\_\_\_  
Pamela J. McMullan

June 17, 2011  
Columbia, South Carolina